

**Extend America Comments on the Rural Broadband Access  
loan and loan guarantee program under the Farm Security  
and Rural Investment Act of 2002 (P.L. 107-171)**

**Before the**

**Rural Utilities Service, U.S. Department of Agriculture  
Public Meeting on Rural Broadband Access  
June 27, 2002**

Extend America appreciates that the Rural Utilities Service (RUS) is hosting a public meeting to solicit comments on the Rural Broadband Access loan and loan guarantee program, which was established under the Farm Security and Rural Investment Act of 2002 (P.L. 107-171). We strongly supported this legislation and are pleased that it has become law and that the RUS is moving forward to implement this important broadband loan program.

**Extend America**

Extend America is a new commercial wireless company, headquartered in Bismarck, North Dakota, offering advanced mobile telecommunications and information services in 5 states: North Dakota, South Dakota, Montana, Wyoming, and Nebraska. A goal of Extend America to close the "digital divide" that increasingly separates rural America from the economic dynamism of the rest of the nation. We believe the survival of the quality of life in rural America depends on delivering high quality telecommunications to enhance education, medical care, and commerce and enable rural residents to prosper and advance with the rest of the nation. Extend America is uniquely devoted to the rural customer and will provide the most modern wireless voice and digital broadband communications to under-served and un-served rural markets.

Extend America intends to offer quality mobile and fixed voice services, Internet access, and high-speed data transmission utilizing licenses in the 800-900 MHz spectrum band and unlicensed spectrum under Part 15 of the Federal Communications Commission (FCC) rules. Extend America is an integral part of the all-digital Nextel Communications national and international networks, thereby connecting rural communities with the rest of the nation and the world with advanced telecommunications and data services. The mobile wireless transmission speeds offered by Extend America will enable many rural consumers to access higher bandwidth services that provide significant progress towards higher bandwidth services than the existing infrastructure currently allows. Since Extend America will be utilizing cutting edge wireless technologies, the services provided to its rural consumers will be constantly evolving, multiplying voice, data, video, and multimedia applications through ever increasing bandwidth technologies.

Particular areas of emphasis that Extend America will have in the range of its mobile and fixed high-speed data offerings will be the delivery of applications that enhance rural public safety needs, educational opportunities and quality health care systems via telecommunications systems. We believe that there is an increasing need for mobile broadband public safety applications and these services is a major focus of our company's business plan. In order to meet the public safety needs of rural Americans in today's environment, mobile broadband data applications are necessary and Extend America intends to offer such services throughout its service territory. In addition, Extend America intends to offer broadband data applications that greatly enhance the delivery of health care and educational services in rural areas. These applications will be a prominent focus of our broadband service offerings, not only because of the benefits to the public but also because we believe there are significant market demands for these services. Medical and educational users compose some the largest consumers of high bandwidth demand in rural areas. Thus, educational and health care telecommunications services are driving forces in rural markets and Extend America is well positioned to provide such services.

### **Comments**

Extend America appreciates the opportunity to provide comments related to broadband policy in the United States in general and in particular with respect to the new broadband loan program established under PL 107-171. As a company based in North Dakota, one of the most rural states in the Union, we are focused on delivering broadband services to rural consumers. Our service territory includes areas with some of the lowest population densities within the United States. In addition to our general commitment to rural consumers, we intend to enhance telecommunications services in many under-served and un-served areas such as Indian Tribal lands where broadband services can stimulate much needed economic development.

**Demand for Broadband Services.** Extend America has based its business model on the fact that there is significant demand for broadband services in rural areas. We believe that in some cases, the demand for certain broadband applications may be more significant in remote rural areas than in some major metropolitan areas. The geographic realities of remote, rural areas create significant new demands for broadband applications for public safety, education (distance learning), health care (telemedicine), and municipal governments. For example, certain telemedicine and distance learning applications may provide the only means to provide quality service in remote area where vast geographic distances make in person services unavailable, thereby making distance learning and telemedicine applications in greater demand. Emergency medical personnel and fire and rescue officers also have a tremendous need to make massive amounts of data and video services available via broadband networks, especially mobile broadband networks. Such applications can have life saving importance and we believe that once such services are available, rural communities will make use of such services.

In addition, residential broadband service is very valuable to enable telecommuting opportunities for people living outside of major metropolitan areas and

small communities. The desire of many rural communities to identify and establish new economic development opportunities creates a strong demand for advanced telecommunications services. Extend America believes that there is great demand, provided the right applications are being offered at an affordable price to consumers.

**Broadband Deployment.** According to a published report by the Federal Communications Commission (FCC), a broadband digital divide definitely exists. The FCC found that ninety-seven percent of the most densely populated zip codes had broadband subscribers compared to less than half of the least densely populated zip codes. That same report noted that there are no broadband subscribers at all in 22% of the nation's zip codes.<sup>1</sup> Also, a joint report by the RUS and the National Telecommunications and Information Administration (NTIA) – the most recent report that we are aware of that examined broadband deployment in rural areas – found that rural areas are lagging behind with respect to the deployment of cable modem and DSL service.<sup>2</sup> According to that report, less than 5 percent of rural communities have access to either cable modem or DSL broadband services whereas more than half of the larger urban cities have such access. That gap has grown since the publication of the landmark RUS/NTIA report.

Extend America is very concerned about this digital divide and we believe that rural America should have the same access to advanced communications services as the rest of the country. We do understand that to a limited degree, DSL and cable modem service is being deployed in some rural areas. However, cable modem and DSL have distance limitations and their deployment usually only covers portions of communities and often does not extend to remote rural areas and many residential areas. Many rural residents, business districts, and farms do not have any broadband access and will not likely get high speed access through either DSL or cable modem service. Thus, federal broadband policies should not only be designed to simulate deployment in general, but must also provide an opportunity for a variety of technologies, especially wireless technologies, to develop and be deployed.

For much of rural America, wireless technologies may provide the only means through which broadband will be made available. Therefore, it is imperative that as RUS implements the broadband loan program to ensure that wireless providers – fixed and mobile – have access to these low-interest loans. Wireless broadband will likely be the only option for some areas of rural America because geographical and economic factors may rule out some land line technologies in some circumstances. The low-cost and ubiquitous nature of wireless technologies makes them an attractive alternative for many rural areas.

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<sup>1</sup> Federal Communications Commission, *Inquiry Concerning the Development of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Third Report* (February 2002).

<sup>2</sup> National Telecommunications and Information Administration, U.S. Department of Commerce, and the Rural Utilities Service, U.S. Department of Agriculture, *Advanced Telecommunications in Rural America: The Challenge of Bringing Broadband Service to All Americans* (April 2000).

**The Rural Landscape.** For the past several decades, independent telephone companies – especially local cooperatives – have provided high quality telephone service to rural America. The RUS (and its predecessor the REA) should be very proud of the role that it has played to ensure that rural America has been very well served through low-interest loans to provide high quality telephone service. It is apparent that low-interest government loans have a proven success record to encourage investment in telecommunications services. With respect to telephone service, the United States has near universal access and this happened in large part because of low-interest financing from the U.S. Department of Agriculture. We believe that this is a successful model and if the United States desires to achieve the same result with respect to broadband service, we should replicate the same model for the next generation of telecommunications services.

The largest inhibitor of investment in rural America for telecommunications services is access to capital. The low-interest loan program established under the Farm Bill provides a rare opportunity for the United States to establish a positive solution to the main inhibitor to investment in rural America. Extend America believes that rural markets are a worthy investment and we have developed a business model that we believe can work in a rural market. However, access to low-interest government loans is an essential component of a successful business and with such financing; we believe that we can deploy a broadband network that will be the foundation of a successful business. In many cases private sector capital will not be sufficient to ensure a successful business model and the low-interest financing offered by the RUS can provide the essential element which leverages private investment.

Another major characteristic in the rural broadband landscape is the need to deploy cost-effective last mile solutions. Fiber optic backbones and long haul networks are sufficiently available in many rural areas. What is lacking is the last mile connection to such networks. Therefore, the broadband loan program should focus on last mile applications and not attempt to duplicate deployment in long haul or backbone systems.

**Universal Service.** Congress recognized the connection between universal service support broadband deployment. Section 254 of the Communications Act requires the Federal Communications Commission (FCC) to establish a universal service system that ensures access to advanced telecommunications and information services for consumers in all regions of the Nation<sup>3</sup> and that comparable services should be provided at comparable rates<sup>4</sup>. The E-rate – established under Section 254(h) of the Act – has been very successful in helping many K-12 schools and libraries in rural areas gain high-speed Internet access.

Low-interest financing for broadband compliments other essential programs that play a critical role in stimulating broadband deployment, such as the high cost support under the universal service system. Neither low-interest loans nor universal service high cost support can replace each other. Both are necessary and the two programs

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<sup>3</sup> Section 254(b)(2) of the Communications Act of 1934.

<sup>4</sup> Section 254(b)(3) of the Communications Act of 1934.

compliment each other. The Telecommunications Act of 1996 mandated that the Federal Communications Commission (FCC) "preserve and advance" universal service through the adoption of reforms that would allow for the universal service system to accommodate a new competitive environment as well as ensure that "consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including inter-exchange services and advanced telecommunications and information services."<sup>5</sup>

One of the most important steps that could be taken to stimulate broadband deployment in rural areas is for the FCC to fulfill the mandate of the Telecommunications Act of 1996 and identify support mechanisms for advanced services. In establishing such support mechanisms, the FCC should ensure that such support is available to a variety of broadband technologies and carriers (provided such carriers meet the necessary criteria to be designated as an eligible telecommunications carrier under Section 214(e) of the Act).

Extend America has urged NTIA to advocate on behalf of the Administration that the FCC act to identify additional universal service support mechanisms for broadband services, including services provided by new entrants offering wireless technologies.<sup>6</sup> Such action would help establish a firm foundation to stimulate deployment in rural areas.

**Competition.** Telecommunications competition does indeed exist in some markets and the consumers in those markets enjoy the benefit of choice. Competition helps to foster higher quality service and lower prices. One of the principle goals of the Telecommunications Act of 1996 was to stimulate competitive telecommunications markets in all areas. However, the Act also recognized that competition was not going to exist in all markets in the same way and that rural areas in particular were going to have unique circumstances with respect to the role that competition would play.

While the RUS should be mindful not to administer the broadband loan program in a manner that would disrupt competitive markets, the RUS must be careful in how it determines what constitutes competition and to what degree should the presence of more than one provider in a market should raise concerns about favoring one provider over another. The RUS should avoid the adoption of a regulation that would simply disqualify an applicant if there is another provider in the market providing broadband. There are many circumstances where existing broadband services may cover only portions of a community, not all of the market. A loan applicant with a viable business plan to serve everyone or a broader geographic area of the market should not be excluded simply because of the presence of an incumbent or other provider. The RUS should evaluate each application to see how it enhances broadband coverage in a qualifying rural

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<sup>5</sup> Section 254(b) of the Communications Act of 1934.

<sup>6</sup> Comments from Extend America on the National Telecommunications and Information Administration Request for Comments on Deployment of Broadband Networks and Advanced Telecommunications Services [Docket No. 011109273-1273-01](December 19, 2001)

community and award applications that provide access to under-served and un-served portions of a market.

**Benefits.** The benefits of ubiquitous broadband deployment throughout the nation should be evident. The United States because a world leader in communications because we made a decision a generation ago to ensure quality telephone service everywhere -- including the rural and remote areas of the country. As a result of a generous low-interest loan program administered by the U.S. Department of Agriculture and an effective universal service system, the United States has near universal telephone penetration. If we intend to maintain our world leadership in the information age, we need the same commitment to deploying broadband throughout our entire nation.

The broadband loan program enacted under PL 107-171 is based on what we know is a winning formula. It is imperative that it be implemented effectively. The entire nation benefits when all Americans can access broadband services. In the information age, broadband deployment should be a top economic priority. Broadband will help ensure that rural America remains a vital component of our nation's economy. With the help of low-interest loans, Extend America and other rural providers will make universal broadband access a reality.

### **Recommendations**

In general, Extend America believes that there are two primary policy considerations that the RUS should use in implementing the broadband loan program: (1) establish a sufficient loan level to meet demand and (2) employ qualification criteria that encourages participation of a variety of technologies, including wireless applications.

**Maximize the Loan Authority of Low-Interest Financing Programs.** First, it is imperative that the Administration embrace the principle that government does play a critically important role in stimulating investment through low-interest loans and seize the opportunity that Congress has provided by establishing the broadband loan program. Section 6103 of the Farm Security and Rural Investment Act of 2002 is by far the most significant broadband policy opportunity for this Administration. We encourage the RUS and the Office of Management and Budget (OMB) to make the most of this opportunity and make as much money available as possible. We note the colloquy between two of the primary sponsors of this legislation, Senators Dorgan and Harkin, who suggested that the subsidy provided in PL 107-171 is sufficient to make at least \$750 million in low-interest loans available per year for the next 4 years.<sup>7</sup> Entrepreneurship and innovation often need government credit support and it is important that the Administration implement the broadband loan program with sufficient loan levels to meet the demand of financially viable applications.

The statute of PL 107-171 provides the Administrator of the RUS and the OMB with discretion with respect to setting the loan levels that will be made available and thus

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<sup>7</sup> Congressional Record, May 8, 2002, page S4023, Senate debate on the Farm Security and Rural Investment Act of 2002 – Conference Report.

will either maximize the effectiveness and reach of the broadband loan program or minimize it. The need for these loans is great. The Administration should provide the maximum amount of loan authority possible to the RUS to provide broadband loans through the appropriated amounts provided by the U.S. Congress. If the RUS and OMB set the subsidy rate consistent with the traditional rates for other RUS telecommunications loan programs, the broadband loan program could provide up to twice the levels suggested by Senators Harkin and Dorgan. We urge the OMB and the RUS Administrator to authorize a loan level between \$750 million and \$1.4 billion for qualified borrowers under the broadband program per year.

The RUS Telecommunications program has a long history of making sound accounting decisions in awarding only feasible loans. We expect this tradition to continue and the Administration can, with sound justification, translate only a small amount of appropriated funds provided under PL 107-171 into several hundred millions of dollars per year of broadband loan authority. There should really be no reason why a qualified borrower with a sound business plan meeting RUS standards should be turned away from low-interest financing to deploy broadband in rural areas.

**Definition of Broadband Services.** The second principle we suggest is to encourage the development of a variety of technologies through technically neutral criteria. Indeed, the broadband loan provisions of PL 107-171 require technological neutrality.<sup>8</sup> Government programs to stimulate broadband deployment ought to be structured to encourage land line and wireless technologies alike, not prefer one to the other. Through the adoption of flexible qualification criteria in the broadband loan program, the RUS can foster Entrepreneurship and innovation in broadband technologies.

With respect to the definition of broadband services as it relates to the RUS broadband program, it is imperative that the RUS adopt a flexible definition that will not rule out certain technologies. Currently, the RUS uses the broadband definition established by the Federal Communications Commission (FCC) in its annual broadband report, which is 200 kilobits per second each way. The Administrator should apply a flexible definition of broadband services to encourage new broader bandwidth technologies that provide significant progress towards higher bandwidth services in rural areas. In order for the program to foster the development of a variety of technological applications, including terrestrial and satellite wireless services, the RUS measure data speeds of wireless network capability and not exclude wireless applications because some handset speeds may or may not provide 200 kilobits data speeds each way.

Report language accompanying PL 107-171 recognized that the current definition of 200 kilobits per second each way could have the effect of excluding many wireless technologies which can provide broadband and "broader-band" technologies which are capable of evolving over time. In the report, the Managers "expect the Administrator will apply a definition of broadband services to encourage new broader bandwidth technologies in rural areas and that the program will foster the development of a variety

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<sup>8</sup> Section 601(f) of the Rural Electrification Act of 1936 (7 U.S.C., 901).

of technological applications including terrestrial and satellite wireless services.<sup>9</sup> The issue was also highlighted in the Senate debate on the Farm Security and Rural Development Act of 2002 Conference Report when one of the Senate managers of the legislation, Senator Harkin stated:

The legislation seeks to foster significant advancement in all rural applications of broadband. In this context, technological neutrality should not be used to preclude progress in any given technology. For example, what is broadband in a fixed setting may be different than what is broadband in a mobile setting. In both cases, the measure of broadband capability should be based on capability of the network, not the individual devices used to access the network. This legislation is intended to help rural citizens gain access to modern broadband information networks.<sup>10</sup>

The RUS should consider applications for low-interest loans from carriers that are deploying technologies that make significant progress towards broader bandwidth services. In the wireless area in particular – satellite and terrestrial – technology is changing at a rapid pace. These services should not be excluded from this important program although they may not always meet the 200 kilobits per second definition. A flexible definition would recognize the context of the technology. What is a suitable definition for broadband in a fixed wire line setting should not be used to block RUS financing for transforming telecommunications services, which are truly “broadband” in a mobile setting. The value of mobility must not be overlooked in establishing loan eligibility. The definition should be flexible enough to permit financing for applications which represent a dramatic, meaningful and truly bandwidth enhancing technologies in the mobile wireless context.

The joint report by NTIA and the RUS, *Advanced Telecommunications in Rural America*,<sup>11</sup> pointed to the importance of wireless technologies in closing the digital divide separating many rural residents from the rest of America. The report specifically mentioned that government should encourage the development of new wireless technologies. The adoption of a flexible definition of broadband services by the RUS for its broadband program is one very important step the Administration can make to help advance the goal of encouraging the development and deployment of new wireless broadband technologies.

The definition of broadband should also be based on the capability of the network, and not on the capabilities of individual devices on the network. A wireless network capable of providing mobile or fixed broadband services should not be excluded from RUS financing because the service provider offers or customers demand narrow band

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<sup>9</sup> Conference Report to accompany HR 2646, the Farm Security and Rural Investment Act of 2002, Report 107-424, page 579.

<sup>10</sup> Congressional Record, May 8, 2002, page S4023, Senate debate on the Farm Security and Rural Investment Act of 2002 – Conference Report.

<sup>11</sup> *Advanced Telecommunications in Rural America: The Challenge of Bringing Broadband Service to All Americans*, The National Telecommunications and Information Administration and the Rural Utility Service (April 2000).

devices, which utilize a wireless broadband network. Similarly, a financially feasible wire line broadband network should not be precluded from RUS financing even if customers initially elect to use the network for narrow band applications.

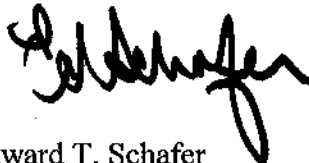
Consumer demand for services should be expected to evolve as more broadband content and applications become available. The RUS should finance networks which are designed to gracefully evolve and be enhanced to meet existing demand for services and are capable of meeting future demand for advanced services as the market develops.

Specialized broadband networks should also be fully eligible for RUS financing. A wireless broadband network designed to meet pressing public safety, health care, security or enterprise needs could be of extraordinary value to rural communities and should not be excluded from eligibility. Extend America sees the power of using a single network to meet residential, mobile, and institutional and government demand. However, there may be circumstances where the broadband market or financial feasibility requires that service offerings be limited to one or two specialized market segments.

Extend America appreciates the opportunity to provide some comments with respect to the implementation of the broadband loan program. We would welcome any questions from the Agency and we look forward to working with you to make the broadband loan program a success.

Thank you for the opportunity to present our views.

Submitted by,

A handwritten signature in black ink, appearing to read "Ed Schafer", written in a cursive style.

Edward T. Schafer  
CEO  
Extend America